

**GOODWILL INDUSTRIES OF  
NORTH LOUISIANA, INC.  
SHREVEPORT, LOUISIANA  
DECEMBER 31, 2012**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **DEC 04 2013**

**GOODWILL INDUSTRIES OF NORTH LOUISIANA, INC.**

**SHREVEPORT, LOUISIANA**

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**AUDITED FINANCIAL STATEMENTS**

# HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

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June 27, 2013

The Board of Directors  
Goodwill Industries of North Louisiana, Inc.  
Shreveport, Louisiana

## Independent Auditor's Report

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Goodwill Industries of North Louisiana, Inc., which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. The prior year summarized comparative information has been derived from Goodwill's 2011 financial statements and, in our report dated June 27, 2012, we expressed an unqualified opinion on those financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Goodwill Industries of North Louisiana, Inc. as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2013, on our consideration of Goodwill's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Goodwill's internal control over financial reporting and compliance.

Shreveport, Louisiana

Heard, McElroy & Vestal, LLC

**GOODWILL INDUSTRIES OF NORTH LOUISIANA, INC.**

**STATEMENT OF FINANCIAL POSITION**

**AT DECEMBER 31, 2012**

<b><u>A S S E T S</u></b>	<b><u>Unrestricted</u></b>	<b><u>Temporarily Restricted</u></b>	<b><u>Permanently Restricted</u></b>	<b><u>2012 Total</u></b>	<b><u>2011 Summary Total</u></b>
<b><u>Current assets:</u></b>					
Cash	93,574	159,474	6,680	259,728	91,302
Investments-Note 4	2,892,355	84,771	-	2,977,126	2,846,285
Accounts receivable-net of allowance for bad debts of \$-0- and \$-0-	464,290	-	-	464,290	450,819
Accounts receivable-other	6,854	-	-	6,854	5,612
Inventory	731,039	-	-	731,039	795,478
Prepaid expenses and other	<u>153,283</u>	<u>-</u>	<u>-</u>	<u>153,283</u>	<u>150,254</u>
Total current assets	4,341,395	244,245	6,680	4,592,320	4,339,750
<b><u>Fixed assets:</u></b>					
Land, buildings and equipment, at cost less accumulated depreciation- Notes 5 and 9	13,296,246	-	-	13,296,246	13,724,829
<b><u>Other assets:</u></b>					
Beneficial interest in net assets of foundation-Note 15	-	-	365,928	365,928	346,908
Investment in partnership	58,757	-	-	58,757	58,757
Security deposits	<u>10,587</u>	<u>-</u>	<u>-</u>	<u>10,587</u>	<u>7,387</u>
Total assets	<u>17,706,985</u>	<u>244,245</u>	<u>372,608</u>	<u>18,323,838</u>	<u>18,477,631</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>					
<b><u>Current liabilities:</u></b>					
Accounts payable	433,450	-	-	433,450	279,763
Sales tax payable	43,110	-	-	43,110	44,735
Accrued payroll and withholdings	498,048	-	-	498,048	634,430
Other payables	59,582	-	-	59,582	125,548
Current portion of long-term debt-Note 9	<u>1,412,879</u>	<u>-</u>	<u>-</u>	<u>1,412,879</u>	<u>1,395,676</u>
Total current liabilities	2,447,069	-	-	2,447,069	2,480,152
<b><u>Long-term liabilities:</u></b>					
Long-term debt less portion classified as current-Note 9	<u>6,330,875</u>	<u>-</u>	<u>-</u>	<u>6,330,875</u>	<u>6,682,149</u>
Total liabilities	8,777,944	-	-	8,777,944	9,162,301
<b><u>Net assets:</u></b>					
Unrestricted	8,929,041	-	-	8,929,041	8,877,528
Temporarily restricted-Note 3	-	244,245	-	244,245	84,771
Permanently restricted-Note 3	-	-	372,608	372,608	353,031
Total net assets	<u>8,929,041</u>	<u>244,245</u>	<u>372,608</u>	<u>9,545,894</u>	<u>9,315,330</u>
Total liabilities and net assets	<u>17,706,985</u>	<u>244,245</u>	<u>372,608</u>	<u>18,323,838</u>	<u>18,477,631</u>

The accompanying notes to financial statements are an integral part of the financial statements.

**GOODWILL INDUSTRIES OF NORTH LOUISIANA, INC.**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2012 Total</u>	<u>2011 Summary Total</u>
<b><u>Public support and revenues:</u></b>					
Public support:					
Donated goods-Note 10	6,645,176	-	-	6,645,176	7,153,290
United Way contributions	179,657	-	-	179,657	120,107
Other contributions	<u>137,325</u>	<u>-</u>	<u>557</u>	<u>137,882</u>	<u>196,234</u>
Total public support	6,962,158	-	557	6,962,715	7,469,631
Revenues:					
Sales:					
Sales of goods purchased	437,031	-	-	437,031	424,801
Less-cost of purchased goods	<u>262,771</u>	<u>-</u>	<u>-</u>	<u>262,771</u>	<u>233,021</u>
Gross profit	174,260	-	-	174,260	191,780
Sales of donated goods	4,930,127	-	-	4,930,127	4,933,173
Contract services	2,175,950	-	-	2,175,950	2,025,195
Workforce development	1,351,685	206,326	-	1,558,011	1,557,954
Investment return-Note 4	112,019	731	31,518	144,268	1,160
Other miscellaneous	<u>14,074</u>	<u>-</u>	<u>-</u>	<u>14,074</u>	<u>31,464</u>
Total revenues	8,758,115	207,057	31,518	8,996,690	8,740,726
Net assets released from restrictions- Note 3	<u>60,081</u>	<u>(47,583)</u>	<u>(12,498)</u>	<u>-</u>	<u>-</u>
Total public support, revenues and reclassifications	15,780,354	159,474	19,577	15,959,405	16,210,357
<b><u>Expenses:</u></b>					
Production and sales	9,947,109	-	-	9,947,109	10,722,946
Workforce Development	1,997,878	-	-	1,997,878	2,181,492
Contract services	2,112,448	-	-	2,112,448	1,998,848
Management and general	<u>1,671,406</u>	<u>-</u>	<u>-</u>	<u>1,671,406</u>	<u>1,221,128</u>
Total expenses	<u>15,728,841</u>	<u>-</u>	<u>-</u>	<u>15,728,841</u>	<u>16,124,414</u>
<b><u>Change in net assets</u></b>	51,513	159,474	19,577	230,564	85,943
<b><u>Net assets, beginning of year</u></b>	<u>8,877,528</u>	<u>84,771</u>	<u>353,031</u>	<u>9,315,330</u>	<u>9,229,387</u>
<b><u>Net assets, end of year</u></b>	<u>8,929,041</u>	<u>244,245</u>	<u>372,608</u>	<u>9,545,894</u>	<u>9,315,330</u>

The accompanying notes to financial statements are an integral part of the financial statements.

**GOODWILL INDUSTRIES OF NORTH LOUISIANA, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b><u>Production and Sales</u></b>	<b><u>Workforce Development</u></b>	<b><u>Contract Services</u></b>
Salaries and wages	5,334,216	1,214,610	1,426,183
Employee health and retirement benefits	191,943	191,119	293,520
Payroll taxes	<u>537,749</u>	<u>98,929</u>	<u>142,217</u>
Total salaries and related expenses	6,063,908	1,504,658	1,861,920
Professional fees and contract service	45,918	34,846	44,859
Supplies	362,875	59,136	89,924
Telecommunications	80,932	33,593	11,705
Postage and shipping	127,246	1,527	319
Occupancy	1,931,715	146,316	27,358
Rental and maintenance of equipment	86,638	8,257	4,047
Printing and publications	94,293	19,041	6,267
Travel and agency vehicles	283,599	79,900	23,268
Conferences, conventions and meetings	4,434	10,130	107
Specific assistance to individuals	8,800	7,850	3,785
Membership dues and support payments	92,774	14,251	18,102
Awards and grants	2,842	-	-
Miscellaneous	<u>245,031</u>	<u>4,131</u>	<u>1,988</u>
Total other expenses before depreciation expense	<u>3,367,097</u>	<u>418,978</u>	<u>231,729</u>
Total expenses before depreciation expense	9,431,005	1,923,636	2,093,649
Depreciation expense	<u>516,104</u>	<u>74,242</u>	<u>18,799</u>
Total expenses	<u>9,947,109</u>	<u>1,997,878</u>	<u>2,112,448</u>

The accompanying notes to financial statements are an integral part of the financial statements.



<u>Management and General</u>	<u>2012 Total</u>	<u>2011 Summary Total</u>
890,930	8,865,939	9,172,147
205,759	882,341	803,530
<u>79,392</u>	<u>858,287</u>	<u>877,598</u>
1,176,081	10,606,567	10,853,275
158,690	284,313	347,193
43,236	555,171	635,983
21,728	147,958	143,438
6,665	135,757	132,255
16,645	2,122,034	2,176,677
15,736	114,678	87,006
18,004	137,605	138,722
54,504	441,271	369,946
29,184	43,855	55,952
-	20,435	21,931
4,098	129,225	135,284
-	2,842	2,750
<u>109,167</u>	<u>360,317</u>	<u>381,407</u>
<u>477,657</u>	<u>4,495,461</u>	<u>4,628,544</u>
1,653,738	15,102,028	15,481,819
<u>17,668</u>	<u>626,813</u>	<u>642,595</u>
<u>1,671,406</u>	<u>15,728,841</u>	<u>16,124,414</u>

**GOODWILL INDUSTRIES OF NORTH LOUISIANA, INC.**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b><u>2012</u></b>	<b><u>2011</u></b>
	<b><u>Total</u></b>	<b><u>Summary</u></b>
		<b><u>Total</u></b>
<b><u>Cash flows from operating activities:</u></b>		
Change in net assets	230,564	85,943
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized (gain) loss on investments	(76,672)	75,995
Depreciation	626,813	642,595
(Increase) decrease in:		
Accounts receivable	(14,713)	84,097
Inventory	64,439	(49,325)
Prepaid expenses and other	(6,229)	(7,200)
Increase (decrease) in:		
Accounts payable	153,687	(197,960)
Sales tax payable	(1,625)	19,880
Accrued payroll and withholdings	(136,382)	(4,850)
Other payables	(65,966)	96,451
Total adjustments	<u>543,352</u>	<u>659,683</u>
Net cash provided by operating activities	773,916	745,626
<b><u>Cash flows from investing activities:</u></b>		
Capital purchases and improvements	(139,473)	(522,384)
Net (purchase) of investments	(54,169)	(73,263)
Investment in beneficial interest in assets of foundation	(19,020)	5,464
Increase in investment in partnership	<u>(58,757)</u>	<u>-</u>
Net cash (used) by investing activities	(271,419)	(590,183)
<b><u>Cash flows from financing activities:</u></b>		
Debt reduction	<u>(334,071)</u>	<u>(260,317)</u>
Net cash (used) by financing activities	<u>(334,071)</u>	<u>(260,317)</u>
<b><u>Net increase (decrease) in cash</u></b>	168,426	(104,874)
<b><u>Cash at beginning of the year</u></b>	<u>91,302</u>	<u>196,176</u>
<b><u>Cash at end of the year</u></b>	<u>259,728</u>	<u>91,302</u>
<b><u>Cash paid during the year for interest</u></b>	<u>365,795</u>	<u>391,651</u>

The accompanying notes to financial statements are an integral part of the financial statements.

**GOODWILL INDUSTRIES OF NORTH LOUISIANA, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**AT DECEMBER 31, 2012**

**1. Nature of Business**

Goodwill Industries of North Louisiana, Inc. ("Goodwill") is a nonprofit, privately supported public service organization. Revenues are derived primarily from the following:

- (a) Sales of used clothing and other household materials donated by the public and refurbished by employees who have disabilities and/or are disadvantaged.
- (b) Salvage sales.
- (c) Sub-contract work for various types of companies by employees who have disabilities and/or are disadvantaged.
- (d) Vocational rehabilitation fees and grant funding through the State of Louisiana.
- (e) United Way of North Louisiana, Inc. and The Community Foundation of Shreveport-Bossier.
- (f) Miscellaneous contributions.

Goodwill provides work opportunities and training for people who have disabilities and/or are disadvantaged, utilizing sales of reconditioned goods and contracted services to pay their wages.

**2. Significant Accounting Policies**

Following is a summary of significant policies by Goodwill:

**(a) Financial Statement Presentation:**

Goodwill reports information regarding its financial position and activities based on the absence or existence of donor-imposed restrictions, as follows:

*Unrestricted Net Assets* - Net assets that are not subject to donor-imposed stipulations. Some unrestricted net assets may be designated by the Board for specific purposes.

*Temporarily Restricted Net Assets* - Net assets subject to donor-imposed stipulations that may or will be met by actions of Goodwill, and/or by the passage of time.

*Permanently Restricted Net Assets* - Net assets subject to donor-imposed stipulations that they be maintained permanently by Goodwill. Generally, donors permit all or part of the income earned on these assets to be used for general or specific purposes.

**(b) Contributions:**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

## **2. Significant Accounting Policies (Continued)**

**(c) Promises to Give:**

Contributions are recognized when the donor makes a promise to give to Goodwill that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Goodwill uses the allowance method to determine uncollectible unconditional promises receivable, when material. The allowance is based on prior years' experience and management's analysis of specific promises made.

**(d) Contributed Goods and Services:**

During the years ended December 31, 2012 and 2011, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. Goods purchased for resale and donated goods are stated at the lower of cost or market on the first-in, first-out basis.

**(e) Estimates:**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change in the near term relate to the valuation of donated goods, and the estimated fair values of investment securities.

**(f) Investments:**

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported in the statement of financial position at their fair values. Fair values for marketable securities are based on quoted market prices. Gains and losses on the sale of marketable securities are determined using the specific identification method. Unrealized gains and losses are included in the change in net assets.

**(g) Bad Debts:**

Goodwill uses the allowance method to estimate uncollectible accounts receivable. The allowance is based on prior years' experience and management's analysis of specific receivables. Receivables are charged off when management determines, after reviewing customer accounts, that collection is unlikely. Past due status of accounts receivable is based on contractual terms.

**(h) Land, Buildings and Equipment:**

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, Goodwill reports expirations of donor restrictions when the

## **2. Significant Accounting Policies (Continued)**

donated or acquired assets are placed in service as instructed by the donor. Goodwill reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method. Buildings are assigned useful lives of forty years. Furniture and equipment generally are assigned ten-year useful lives and vehicles are assigned three to five year useful lives. Goodwill uses a capitalization policy of \$1,000 for fixed assets.

**(i) Cash and Cash Equivalents:**

For purposes of the statement of cash flows, Goodwill considers all cash on hand and demand deposits with financial institutions to be cash equivalents. Certain demand deposits include amounts that are "swept" overnight into daily investments in U.S. Treasury or Agency Securities.

**(j) Prior Year Financial Information:**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Goodwill's financial statements for the year ended December 31, 2011. Certain amounts for the prior year have been reclassified to conform to the current-year presentation.

**(k) Advertising Costs:**

Advertising costs are expensed as incurred. Such costs amounted to \$77,225 and \$100,086 for 2012 and 2011.

**(l) Income Taxes:**

As a nonprofit, privately supported organization, Goodwill is exempt from income taxation under Section 501(c)(3) of the Internal Revenue Code, but must file an annual return with the Internal Revenue Service that contains information on its financial operations. Goodwill is required to review various tax positions it has taken with respect to its exempt status and determine whether in fact it continues to qualify as a tax exempt entity. It must also consider whether it has nexus in jurisdictions in which it has income and whether a tax return is required in those jurisdictions. In addition, as a tax exempt entity, Goodwill must assess whether it has any tax positions associated with unrelated business income subject to income tax. Goodwill does not expect any of these tax positions to change significantly over the next twelve months. Any penalties related to late filing or other requirements would be recognized as penalties expense in Goodwill's accounting records.

Goodwill is required to file U. S. federal Form 990 for informational purposes. Its federal income tax returns for the tax years 2009 and beyond remain subject to examination by the Internal Revenue Service.

**(m) Beneficial Interest in Assets of Foundation:**

Any transfers by Goodwill of its own funds to the Community Foundation of Shreveport-Bossier, specifying itself as the beneficiary, are accounted for as an asset in accordance with generally accepted accounting principles.

### 3. Restrictions on Assets

Temporarily restricted - substantially all of the restrictions on these assets relate to funds donated to help fund retirement benefits paid to a former executive director. These funds will become available for use by Goodwill's general operations after the demise of the former executive director.

Permanently restricted - the restrictions on these assets relate to endowments received by Goodwill. Most of these assets are transferred to the Community Foundation of Shreveport-Bossier, as described in Note 15.

### 4. Investments

Investments at December 31, 2012 and 2011, are summarized as follows:

	2012		
	<u>Cost</u>	<u>Approximate Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
U.S. Treasury and Agency debt securities	856,789	890,951	34,162
Corporate debt securities	807,353	819,352	11,999
Corporate equity securities	764,895	822,344	57,449
Government mutual funds	85,177	85,177	-
Equity mutual funds	100,000	123,991	23,991
Cash and equivalents	<u>235,311</u>	<u>235,311</u>	<u>-</u>
	<u>2,849,525</u>	<u>2,977,126</u>	<u>127,601</u>

	2011		
	<u>Cost</u>	<u>Approximate Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
U.S. Treasury and Agency debt securities	1,124,295	1,170,149	45,854
Corporate debt securities	752,446	756,466	4,020
Corporate equity securities	640,248	654,239	13,991
Government mutual funds	2,066	2,066	-
Equity mutual funds	100,000	128,828	28,828
Certificates of deposit	82,705	82,705	-
Cash and equivalents	<u>51,832</u>	<u>51,832</u>	<u>-</u>
	<u>2,753,592</u>	<u>2,846,285</u>	<u>92,693</u>

A summary of investment return for each year follows:

	2012			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest income	65,977	731	888	67,596
Net realized and unrealized gain (loss)	<u>46,042</u>	<u>-</u>	<u>30,630</u>	<u>76,672</u>
	<u>112,019</u>	<u>731</u>	<u>31,518</u>	<u>144,268</u>

4. **Investments** (Continued)

	2011			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest income	64,524	730	11,901	77,155
Net realized and unrealized gain (loss)	<u>(71,024)</u>	<u>731</u>	<u>(5,702)</u>	<u>(75,995)</u>
	<u>(6,500)</u>	<u>1,461</u>	<u>6,199</u>	<u>1,160</u>

5. **Land, Building and Equipment**

Fixed assets and related accumulated depreciation at December 31, 2012 and 2011, are as follows:

	<u>2012</u>	<u>2011</u>
Buildings and improvements	11,803,469	11,774,611
Equipment	3,078,059	2,922,971
Vehicles	<u>220,212</u>	<u>245,185</u>
Total depreciable assets	15,101,740	14,942,767
Accumulated depreciation	<u>(5,877,817)</u>	<u>(5,274,192)</u>
Book value of depreciable assets	9,223,923	9,668,575
Land	4,051,254	4,051,254
Work in progress	<u>21,069</u>	<u>5,000</u>
Book value of fixed assets	<u>13,296,246</u>	<u>13,724,829</u>

Goodwill accepted the donation of land adjacent to its Minden store in 2007. Such donation had an estimated value of \$155,000 and is unrestricted as to time and purpose of use. However, the act of donation stipulates that Goodwill may not dispose of the property for five years.

Work in progress consists of miscellaneous renovation work at the main office location.

6. **Tax-Deferred Annuities**

Goodwill has available to its employees tax deferred annuity contracts which are administered by several investment companies. The employees may, at their option, elect to take a reduction in salary to invest in the tax deferred annuity contracts. Goodwill matches 60% of employees' contributions up to 6% of employees' gross earnings. Total contributions by Goodwill were \$66,993 and \$80,456 in 2012 and 2011.

7. **Rent**

Goodwill rents various store facilities to serve as retail outlets for its household goods and other purposes. Goodwill has rental agreements for store locations in Monroe, West Monroe, Ruston, Minden, Haughton, Shreve City, Kings Highway (each for 60 months), Natchitoches (for 60 months), and Bossier City-Texas Street (for 36 months). The Monroe WFD rental agreements have a term of 24 months. All rental agreements are noncapitalizable. Rent expense for 2012 and 2011 was \$691,493 and \$657,113.

Goodwill also has agreements to lease several trucks. These lease agreements are accounted for as operating leases, and provide for lease terms of seven years at approximate annual rentals of \$16,596 per vehicle. Vehicle rent expense for 2012 and 2011 was \$120,804 and \$103,330.

**7. Rent (Continued)**

A summary of future minimum rental payments under noncancelable leases for all operating leases for the next five years and in the aggregate, is as follows:

<u>Year Ended December 31</u>	<u>Amount</u>
2013	751,860
2014	622,943
2015	470,832
2016	263,097
2017	135,576
Thereafter	82,980
	<u>2,327,288</u>

**8. Commitments**

Goodwill entered into an agreement to provide supplemental retirement and medical benefits to its former executive director upon his retirement in January 1986. These benefits amount to approximately \$21,000 per year for the remainder of the life of the former director.

In addition, Goodwill also entered into an agreement to provide annually supplemental medical insurance benefits up to \$3,500 each to its President/CEO Emeritus and his spouse for the remainder of their lives, effective with his retirement on June 30, 2012. Goodwill also has agreed to employ its President/CEO Emeritus as a consultant for five years from his retirement date for \$84,800 per year, and to reimburse certain travel expenses of up to \$6,000 per year.

**9. Long-Term Debt**

Listed below is a schedule of long-term debt at December 31, 2012 and 2011:

<u>Due To</u>	<u>Terms</u>	<u>2012</u>	<u>2011</u>
Regions Equipment Finance Corporation	Loan for \$3,060,000 for constructing and equipping store in North Bossier City; interest at 5.28%, payable interest only monthly through February 2010; monthly payments of principal and interest through July 2018; balloon payment August 2018; secured by the property purchased.	2,762,027	2,872,912
*Rapides Parish Finance Authority	\$12,065 per month including interest at 5.25%, maturing April 1, 2017, secured by real estate and buildings located in Alexandria and in Pineville.	556,607	669,262
Regions Bank	Line of credit for \$1,500,000; interest at the greater of 3.00% or LIBOR plus 2.50% (3.00% at 12-31-12) due monthly; principal due July 31, 2013; secured by investment portfolio.	1,062,500	1,062,500



**9. Long-Term Debt (Continued)**

<u>Due To</u>	<u>Terms</u>	<u>2012</u>	<u>2011</u>
#La. Local Government Environmental Facilities & Community Development Authority	Loan for \$3,500,000 for construction of Pierremont store; interest at 4.6%, payable monthly; interest only for the first year; balloon payment at maturity in September 2020; secured by property purchased.	3,362,620	3,473,151
Capital One, N.A.	Line of credit for \$225,000; interest at Wall Street Journal prime (3.25% at 12-31-12) due monthly; principal and remaining unpaid items due at loan termination at lender demand; unsecured.	-	-
		<u>7,743,754</u>	<u>8,077,825</u>
<u>Less-portion classified as current</u>		<u>1,412,879</u>	<u>1,395,676</u>
Notes payable-long-term		<u>6,330,875</u>	<u>6,682,149</u>

\*Goodwill entered into an agreement, dated February 1, 2002, for the issuance of \$1,500,000 revenue bonds on its behalf by the Rapides Finance Authority at 5.25%, maturing in 2017. As required by state law, this agreement was approved by the Louisiana State Bond Commission. The bonds were issued for the purpose of providing funds to acquire property and construct an outlet facility located in Pineville, Louisiana.

#Goodwill entered into an agreement, dated September 14, 2010, for the issuance of \$3,500,000 revenue bonds on its behalf by the Louisiana Local Government Environmental Facilities and Community Development Authority at 4.6%, maturing in 2020. As required by state law, this agreement was approved by the Louisiana State Bond Commission. The bonds were issued for the purpose of providing funds to acquire property and construct an outlet facility located in Shreveport, Louisiana.

The approximate book value of collateralized fixed assets at December 31, 2012, was \$8,895,000.

Maturities of long-term debt for the next five years are as follows:

2013	1,412,879
2014	368,472
2015	387,504
2016	407,523
2017	328,082
Thereafter	<u>4,839,294</u>
	<u>7,743,754</u>

Interest expense was \$365,795 and \$391,651 for 2012 and 2011, respectively.

Goodwill intends to refinance all outstanding long-term debt by July 2013.

**10. Donated Goods**

Effective January 1, 1996, in conformity with generally accepted accounting principles, Goodwill began recognizing donated goods as revenue when received. During 2012 and 2011, contributed merchandise with an approximate fair value of \$6,645,000 and \$7,153,000, respectively, was recognized as contribution revenue. This donated-goods merchandise requires program-related expenses and processes which are accomplished by people with disabilities and other disadvantaging conditions before it reaches the point of sale. Donated goods included in inventory amounted to approximately \$717,000 and \$777,000 at December 31, 2012 and 2011.

**11. Conditional Promises**

Conditional promises consist of the unfunded portions of approved governmental awards, either currently in effect or approved for commencement after December 31, 2012. Future funding of such awards is conditioned upon Goodwill's operation of certain programs, incurrence of certain costs, and possibly meeting certain matching requirements. Because such awards represent conditional promises to Goodwill, they have not been recognized in the financial statements at December 31, 2012. Such conditional promises amounted to approximately \$1,675,000 at December 31, 2012.

**12. Concentrations of Credit Risk**

Financial instruments that potentially subject Goodwill to concentrations of credit risk consist principally of cash, investments, and receivables. Concentrations of credit risk with respect to receivables are limited, since most of these amounts are due from governmental agencies and private businesses under grants or fee for service arrangements. Goodwill maintains cash balances at several financial institutions. At December 31, 2012, total cash held at financial institutions was \$261,805, none of which exceeded FDIC-insured limits, or which was otherwise secured by securities owned by the institution. Substantial investment amounts, including certain mutual funds, are invested in securities of the federal government or its agencies. However, approximately \$2,001,000 in corporate debt securities, corporate equity securities, and various equity mutual funds at December 31, 2012, are dependent solely upon the faith and credit of the corporate issuer.

**13. Fundraising Expenses**

Direct fundraising expenses amounted to approximately \$131,000 for 2012 and \$106,000 for 2011.

**14. Fair Value Measurements**

The following table presents Goodwill's fair value hierarchy for assets measured at fair value on a recurring basis at December 31, 2012 and 2011:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Value
<b><u>December 31, 2012:</u></b>				
<b><u>Investments:</u></b>				
U.S. Treasury and Agency debt securities	890,951	-	-	890,951
Corporate debt securities	819,352	-	-	819,352
Corporate equity securities	822,344	-	-	822,344
Government mutual funds	85,177	-	-	85,177
Equity mutual funds	-	123,991	-	123,991
Cash and equivalents	235,311	-	-	235,311
	<u>2,853,135</u>	<u>123,991</u>	<u>-</u>	<u>2,977,126</u>
Donated goods inventory	<u>-</u>	<u>-</u>	<u>716,654</u>	<u>716,654</u>

**14. Fair Value Measurements (Continued)**

	Quoted Prices in Active Markets for Identical Assets <u>(Level 1)</u>	Significant Other Observable Inputs <u>(Level 2)</u>	Significant Unobservable Inputs <u>(Level 3)</u>	<u>Value</u>
<b><u>December 31, 2011:</u></b>				
<b><u>Investments:</u></b>				
U.S. Treasury and Agency debt securities	1,170,149	-	-	1,170,149
Corporate debt securities	756,466	-	-	756,466
Corporate equity securities	654,239	-	-	654,239
Government mutual funds	2,066	-	-	2,066
Equity mutual funds	-	128,828	-	128,828
Certificates of deposit	-	82,705	-	82,705
Cash and equivalents	<u>51,832</u>	<u>-</u>	<u>-</u>	<u>51,832</u>
	<u>2,634,752</u>	<u>211,533</u>	<u>-</u>	<u>2,846,285</u>
Donated goods inventory	<u>-</u>	<u>-</u>	<u>776,813</u>	<u>776,813</u>

Fair values for most investments are determined by reference to quoted market prices generated by market transactions (Level 1). Fair values for other investments are determined by reference to net asset values that are not current. The fair value of donated goods inventory is estimated based on a methodology using annual processing costs and inventory turnover factors applied to the retail sales value of the goods.

Nonfinancial assets measured at fair value on a recurring basis, using significant unobservable inputs, changed in value as follows:

<u>Donated Goods Inventory</u>	<u>2012</u>	<u>2011</u>
Beginning balance	776,813	715,446
Change in value	<u>(60,159)</u>	<u>61,367</u>
Ending balance	<u>716,654</u>	<u>776,813</u>

Unobservable inputs utilized include the sales value of the donated goods applied to an industry-accepted computational model that adjusts the value of those monthly sales, using inventory turnover rates and costs incurred in processing the goods sold.

**15. Beneficial Interest in Assets of Foundation**

Goodwill established an endowment fund, the income distribution of which is designated by Goodwill to help fund the cost of placement programs. Goodwill transferred control of this endowment fund in 2008 to the Community Foundation of Shreveport Bossier. Under the terms of the agreement, variance power and legal ownership of the funds rest with the Foundation, and net investment income and capital appreciation/depreciation accumulate in the endowment fund. The Foundation is obligated to distribute 4% of the average market value of the fund to Goodwill annually, provided the average market value is greater than the amount contributed to the fund.

**15. Beneficial Interest in Assets of Foundation (Continued)**

Activity of this beneficial interest is summarized as follows:

	<u>2012</u>	<u>2011</u>
Beginning balance, endowment fund	346,908	352,372
Interest	3,959	14,717
Net realized and unrealized gains (losses)	30,630	(5,702)
Administrative fees	(3,071)	(2,816)
Distributions to Goodwill	<u>(12,498)</u>	<u>(11,663)</u>
Ending balance, endowment fund	<u>365,928</u>	<u>346,908</u>

**16. Subsequent Events**

Goodwill is required to evaluate events or transactions that may occur after the balance sheet date for potential recognition or disclosure in the financial statements. Goodwill performed such an evaluation through June 27, 2013, the date which the financial statements were available to be issued, and noted no subsequent events.

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## **OTHER REPORTS**

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# HEARD, McELROY, & VESTAL

LLC

## CERTIFIED PUBLIC ACCOUNTANTS

333 TEXAS STREET, SUITE 1525  
SHREVEPORT, LOUISIANA 71101  
318-429-1525 PHONE • 318-429-2070 FAX

June 27, 2013

The Board of Directors  
Goodwill Industries of North Louisiana, Inc  
Shreveport, Louisiana

**Independent Auditor's Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance with  
Government Auditing Standards**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Goodwill Industries of North Louisiana, Inc., which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 27, 2013.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Goodwill's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Goodwill's internal control. Accordingly, we do not express an opinion on the effectiveness of Goodwill's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

HMV

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Goodwill's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion of the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Shreveport, Louisiana

Heard, McElroy & Vestal, LLC

**GOODWILL INDUSTRIES OF NORTH LOUISIANA, INC.**

**SCHEDULE OF FINDINGS AND RESPONSES**

**FOR THE YEAR ENDED DECEMBER 31, 2012**

**A. Summary of Audit Results**

1. The auditor's report expresses an unmodified opinion on the financial statements of Goodwill Industries of North Louisiana, Inc.
2. No material weaknesses or significant deficiencies relating to the audit of the financial statements were reported.
3. No instances of noncompliance material to the financial statements of Goodwill Industries of North Louisiana, Inc. were disclosed during the audit.
4. Goodwill Industries of North Louisiana, Inc. was not subject to a federal single audit for the year ended December 31, 2012.

**B. Findings - Financial Statement Audit**

None

**C. Findings and Questioned Costs - Major Federal Award Programs**

Not Applicable



**GOODWILL INDUSTRIES OF NORTH LOUISIANA, INC.**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

No findings were reported for the prior year.